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Panel on Education

Meeting on 13 June 2016

**Updated background brief on issues related to
the governance and regulation of
the self-financing post-secondary education sector**

Purpose

This paper summarizes the views and concerns expressed by Members on issues related to the governance and regulation of the self-financing post-secondary education sector.

Overview of the self-financing post-secondary education sector

2. In his 2000 Policy Address, the Chief Executive announced that within 10 years, 60% of senior secondary school leavers should have access to post-secondary education to meet the needs of a knowledge-based economy. To this end, the Government has adopted a two-pronged strategy of promoting the parallel development of publicly-funded and self-financing post-secondary education sectors. The post-secondary education participation rate has subsequently increased from about 33% in the 2000-2001 academic year to over 60% in recent years.

3. According to the Administration, the self-financing sector plays an important role in broadening the opportunities and choices for further education, thereby providing quality, diversified and flexible pathways with multiple entry and exit points for secondary school leavers. The self-financing sector also helps diversify Hong Kong's higher education sector and is conducive to the development of education service and Hong Kong's further development as a regional education hub. By responding quickly to changing society needs, the self-financing sector plays a pivotal role in upgrading the quality of human resources in Hong Kong by offering a wide array of continuing and professional education and lifelong learning opportunities for the workforce and the community at large¹.

¹ See LC Paper No. CB (4)279/12-13(01) issued by the Education Bureau in January 2013.

4. The self-financing post-secondary education sector primarily consists of three components:

- (a) approved post-secondary colleges registered under the Post Secondary Colleges Ordinance ("PSCO") (Cap. 320)² and the Open University of Hong Kong which is a statutory institution operating on a self-financing basis;
- (b) operators of self-financing locally-accredited post-secondary programmes and non-local programmes³;
- (c) publicly-funded higher education institutions⁴ that offer self-financing post-secondary programmes through their self-financing continuing and professional education arms or member institutions under their aegis.

Committee on Self-financing Post-secondary Education

5. The Committee on Self-financing Post-secondary Education ("CSPE ") was established on 1 April 2012 in response to the recommendation of the University Grants Committee ("UGC")'s Report on Higher Education Review 2010. CSPE serves as the platform for discussing macro and strategic issues of common interest to the self-financing post-secondary sector, as well as promoting quality and good practices. It commissioned a consultancy study on "Local and International Good Practices in the Governance and Quality Assurance of the Self-financing Post-secondary Education Sector" and published the Report on the Consultancy Study ("the Consultancy Report") in August 2014. Based on the findings of the Consultancy Report, CSPE compiled a draft Code of Good Practices on Governance and Quality Assurance ("Code of Good Practices") for public consultation from 5 February to 16 March 2015. After refining the draft Code of Good Practices taking into account the views received during public consultation, CSPE promulgated the Code of Good Practices in June 2015 for adoption by self-financing post-secondary institutions on a voluntary basis.

² According to the Legislative Council Brief (File reference: EDB(FE)CR 1/2/3231/11) issued on 18 August 2014, as at August 2014, there are eight approved post-secondary colleges, namely the Hong Kong Shue Yan University, Caritas Institute of Higher Education, Centennial College, Chu Hai College of Higher Education, Hang Seng Management College, HKCT Institute of Higher Education, Hong Kong Nang Yan College of Higher Education and Tung Wah College.

³ These include institutions such as the Hong Kong College of Technology, Hong Kong Institute of Technology and SCAD Foundation (Hong Kong) Limited/Savannah College of Art and Design.

⁴ There are currently 10 publicly-funded institutions, namely the eight University Grants Committee-funded institutions, the Hong Kong Academy for Performing Arts and the Vocational Training Council.

Support measures

6. The Government has implemented a basket of measures to support the quality and sustainable development of the self-financing post-secondary education sector. These measures include provision of land at nominal premium, interest-free Start-up Loans, quality assurance subsidies and a \$3.5 billion Self-financing Post-secondary Education Fund to provide scholarships and support quality enhancement efforts of institutions. A total of \$3 billion has been earmarked in the Research Endowment Fund to support the self-financing degree sector in enhancing its academic and research development. In addition, the sector may benefit from the \$2.5 billion Sixth Matching Grant to tap more funding sources.

7. The Education Bureau ("EDB") first launched the Electronic Advance Application System for Post-secondary Programmes in February 2012. This one-stop Internet-based service facilitates secondary school candidates sitting for public examinations to lodge advance applications for locally-accredited post-secondary programmes not covered by the Joint University Programmes Admissions System.

8. To provide support to needy students, the Student Finance Office ("SFO") of the Working Family and Student Financial Assistance Agency provides means-tested grants and non-means-tested low-interest loans for full-time students pursuing locally-accredited self-financing post-secondary programmes. Meritorious students may benefit from the scholarships provided under the Self-financing Post-secondary Education Fund.

Quality assurance

9. The Quality Assurance Council ("QAC") was set up by UGC in 2007 to provide third-party oversight of the quality of programmes (publicly-funded or otherwise) at degree or above level offered by UGC-funded institutions. Meanwhile, the Joint Quality Review Committee ("JQRC") has been established by the Heads of the eight UGC-funded institutions to provide for peer review of the quality assurance processes of the self-financed sub-degree programmes run by the self-financing arms of these institutions. In addition, the post-secondary programmes offered by self-financing institutions are validated by the Hong Kong Council for Accreditation of Academic and Vocational Qualifications ("HKCAAVQ").

Review conducted by UGC in 2009

10. The UGC conducted a higher education review in 2009 and submitted a report entitled "Aspirations for the Higher Education System in Hong Kong"

("the Report") to the Government in December 2010. The Report has identified three obvious dangers in the growth of the self-financing post-secondary sector. They were financial failure of an institution offering post-secondary programmes, increasing confusion in the sector as a result of an uncoordinated plurality of initiatives, and inadequate quality assurance. It is pointed out that simple reliance on market forces will not work and that there must be sufficient government regulation⁵. The Report also contains a number of recommendations relating to the self-financing sector, including the following:

- (a) Government policy should treat all elements of post-secondary educational provision as a single interlocking system for strategic and planning purposes, including both privately and publicly funded institutions;
- (b) there should be a single oversight body for the non-publicly funded part of the post-secondary education system;
- (c) public funds should not be used by UGC-funded institutions as cross-subsidies for self-financing educational activities. There should be greater transparency in the financial relationship between the UGC-funded institutions and self-financing courses either within the institution or in an affiliate, such as a community college; and
- (d) there should be a single quality assurance body for the whole post-secondary system, which should integrate the methods and approaches of quality assessment, validation and accreditation across the system.

The Administration has accepted the overall strategies and directions recommended in the Report⁶.

Deliberation by the Panel on Education

11. Issues related to the governance and regulation of the self-financing post-secondary education sector have received ongoing attention by the Panel on Education ("the Panel"). At the meeting held on 14 January 2013, the Panel passed a motion urging the Administration to, amongst others, increase subsidized undergraduate places and set up an independent statutory body to oversee the quality assurance and governance of self-financing post-secondary institutions.

⁵ See paragraph 3.29 of the Report.

⁶ See Legislative Council Brief on Higher Education Review (File Ref.: EDB (HE) CR 4/21/2041/89) issued by the Education Bureau in November 2011.

Provision of self-financing post-secondary programmes

12. The incidents of over-enrolment to some self-financing post-secondary programmes in September/October 2012 were of grave concern to the Panel. At the meetings held in January 2013 to follow up the matter, quite a number of members were worried that under a commercialized and market-driven approach, self-financing post-secondary education had become merely the massive supply of study places and the indiscriminate admission of as many students as possible.

13. As advised by the Administration, in the wake of incidents of over-enrolment in the double cohort year of 2012, the sector had put in place measures to safeguard against recurrence. The Panel also noted that member institutions of the Federation for Self-financing Tertiary Education promulgated in April 2013 a set of guidelines for their locally-accredited self-financing programmes at undergraduate level and below to enhance consistency and transparency in enrolment and admission arrangements.

14. Many members had all along urged the Administration to address the inadequate provision of subsidized undergraduate places. They noted from the information provided by the Administration that among the 61 136 day school candidates entering the 2015 Hong Kong Diploma of Secondary Education Examination, 24 547 or 40.3% met the minimum general entrance requirements for local undergraduate programmes. However, the number of UGC-funded first-year first-degree places had been maintained at 15 000 per annum. To meet the huge demand for higher education places, self-financing post-secondary programmes had grown in leaps and bounds, often beyond the capacity of individual institutions and at the expense of the quality of learning and teaching.

Quality assurance

15. Given the rapid expansion of the self-financing post-secondary sector, Panel members were deeply concerned about the quality of self-financing post-secondary programmes. The Administration assured members that the quality of self-financing programmes was assured through the accreditation by HKCAAVQ and the quality assurance mechanisms of the UGC-funded institutions. The Self-financing Post-secondary Education Fund also provided support for the enhancement of the quality assurance mechanisms of the self-financing post-secondary institutions.

16. Noting that as many as three different bodies were currently involved in the quality assurance/accreditation of different post-secondary education providers (paragraph 9 above), the Panel had pursued with the Administration the progress of and timetable for establishing a single quality assurance body for the entire post-secondary education sector as recommended in the Report of

UGC's higher education review. Meanwhile, some deputations stressed that in considering a single quality assurance mechanism, it was necessary to take into account the uniqueness of each institution in terms of its vision and mission, pedagogy and the programmes offered.

17. As advised by the Administration at the meetings on 18 March and 10 November 2014, it was open-minded on the idea of a single quality assurance body. However, at this stage, the Administration was not yet in a position to provide a concrete timetable for its establishment. Nevertheless, the Administration had taken incremental measures to enhance the quality assurance mechanism of the self-financing post-secondary education sector, such as setting up the Liaison Committee on Quality Assurance⁷ to promote sharing of good practices among all the quality assurance bodies and to enhance consistency and transparency.

Concerns about the Post Secondary Colleges Ordinance (Cap. 320)

18. The Panel received a briefing on the proposed amendments to PSCO and its subsidiary regulation at the meeting on 14 January 2013, and noted that the Administration had adopted an incremental approach to first focus on legislative amendments to update or remove obsolete provisions which would hinder the development of the post-secondary education sector.

19. While members supported in principle the proposed amendments, some members were concerned that they could not address concerns about effective regulation of the self-financing post-secondary sector. For instance, there was a view that some of the proposed amendments, such as the removal of admission requirement on academic qualifications for entry into a college, the streamlining of procedures for approving award of degrees, the removal of requirement of the Chief Executive-in-Council's approval for using the term "學院" etc., would lead to the relaxation of regulatory requirements currently applicable to self-financing post-secondary institutions. Some members stated that before introducing the amendment bill in question, the Administration should first advise the Panel how it would take forward UGC's recommendation to set up a single quality assurance body for the whole post-secondary sector and address concerns about effective regulation and governance of the sector.

20. At the meeting held on 18 March 2014, some members and deputations expressed the view that the Administration should give priority to removing anomalous and obsolete requirements under PSCO so as to facilitate the healthy development of the self-financing post-secondary sector. The Administration indicated that it would consider the matter in the light of the views of members and deputations.

⁷ The Government has transformed the Tripartite Liaison Committee (comprising the EDB, HKCAAVQ and JQRC) and formed the Liaison Committee on Quality Assurance by engaging QAC.

21. At the special meeting held on 7 February 2015, some members and deputations stressed the need for early amendment of PSCO to enhance the regulation and governance of self-financing post-secondary institutions. The Administration was also asked to consider the feasibility of introducing institution-specific legislation or enacting a single piece of governing legislation to cover all self-financing post-secondary institutions. According to the Administration, overseas experience had shown that apart from the legislative approach, the adoption of codes of good practices was also effective in promoting the healthy development of the sector.

22. Noting that non-local programmes offered in Hong Kong were registered under the Non-local Higher and Professional Education (Regulations) Ordinance ("NHPEO") (Cap.493), some members expressed concern that the regulatory requirements under PSCO would be bypassed when some non-local programmes were offered by alliances formed among local and overseas institutions. As informed by the Administration, it was necessary for the non-local higher education programmes to fulfil specified requirements before they could be registered under NHPEO. In addition, the programme providers might seek accreditation by HKCAAVQ to further promote the recognition of the qualifications locally for articulation or employment purposes.

Financial aspects

23. In response to members' concerns about the level of tuition fees for self-financing post-secondary programmes, the Administration informed the Panel in April 2012 that most institutions planned on the basis of a balanced budget when setting the fee levels for self-financing programmes. To cater for possible year-on-year volatility, an adequate level of reserve is critical to serve as a buffer to sustain the healthy operation of the programmes. Since UGC-funded institutions and self-financing institutions were non-profit-making, any surplus in a year should be kept in their reserve and ploughed back in support of teaching and learning activities for the benefit of students⁸.

24. In his 2015 Policy Address, the Chief Executive indicated that some community colleges of UGC-funded institutions had accumulated large surpluses. The Administration would request the institutions to critically review their financial position and consider ways to use their surpluses to benefit their students, such as lowering tuition fees and offering scholarships or bursaries for underprivileged students.

25. There was grave reservation or disagreement from many of the self-financing post-secondary institutions attending the special meeting on 7 February 2015 regarding the requirement on them to disclose their financial information at an appropriate level of details as proposed in the draft Code of Good Practices compiled by CSPE. They were gravely concerned about the

⁸ See LC Paper No. CB(2)1694/11-12(08) issued by EDB in April 2012.

publication of market-sensitive data and the possibility that certain financial information might be interpreted out-of-context or in a negative light. Some members and deputations however, considered it necessary for the institutions to increase their transparency and accountability as many of them had benefited from funding schemes launched by the Government or had been provided land at nominal premium or premises at nominal rent. The Administration considered that disclosure of the financial information of institutions at an appropriate level of details would be conducive to enhancing transparency and the right to information of students and the general public. The Administration and CSPE advised that they would take into consideration the views gathered during public consultation before finalizing the relevant provisions in the Code of Good Practices.

Financial support for students

26. At the meetings held on 7 February and 13 April 2015, some members and deputations expressed concern about the substantial amount of loans borrowed from SFO by students pursuing self-financing post-secondary programmes and the heavy burden of loan repayment after graduation. As advised by the Administration, students intending to pursue self-financing post-secondary programmes should take into consideration their financial situation, including their ability to repay student loans. Besides taking loans under Non-means-tested Loan Schemes, students from needy families could apply for grants and means-tested loans to meet tuition fees, academic expenses and living expenses.

Study Subsidy Scheme for Designated Professions/Sectors

27. The 2014 Policy Address announced a number of measures to broaden the opportunities for subsidized higher education. One of the new initiatives was the Study Subsidy Scheme for Designated Professions/Sectors ("SSSDP"), which aimed to subsidize around 1 000 students per cohort in pursuing selected self-financing undergraduate programmes, to nurture the talents for industries in keen demand for labour, as well as to encourage the self-financing sector to take into account Hong Kong's economic and social development needs in their programme development. Upon implementation, SSSDP would benefit three cohorts of students to be admitted in the 2015-2016 to 2017-2018 academic years.

28. In response to members' queries about the implementation of SSSDP, the Administration advised that an inter-departmental working group comprising EDB and other relevant bureaux/departments had been convened to identify the disciplines that were in need of manpower and the relevant self-financing post-secondary programmes. As informed by the Administration, selected disciplines for the 2015-2016 and 2016-2017 academic years included health care, architecture and engineering, testing and certification, creative

industry, logistics, and tourism and hospitality. The places of the subsidized programmes under SSSDP would be allocated mainly through the Joint University Programmes Admissions System to ensure that eligible students were selected through a merit-based system.

29. According to the information provided by the Administration in January 2015 and January 2016, there were five participating post-secondary institutions providing 13 programmes with a total of 940 subsidized places in the 2015-2016 academic year under SSSDP⁹. For the 2016-2017 academic year, SSSDP would subsidize a total of 1 030 places under 15 programmes offered by six post-secondary institutions¹⁰.

Recognition of qualifications and articulation pathways

30. As reflected by some deputations attending the special meeting on 7 February 2015, there had been cases in which students who had satisfactorily completed self-financing post-secondary programmes pitched at Qualifications Framework ("QF") Level 3 had not been able to articulate to programmes at QF Level 4 offered by other institutions. There were also cases that students who had completed programmes at QF Level 3 were deprived of articulation pathways due to the decision of the institution concerned not to offer certain programmes at QF Level 4 of the same disciplines. Members expressed concern about the recognition of qualifications awarded by self-financing post-secondary institutions and whether prospective students were adequately apprised of the articulation pathways available for their proposed course of study.

31. The Administration advised that under QF, EDB had promulgated the policy and principles for credit accumulation and transfer, under which the quality-assured qualification previously acquired by a person might be recognized for credit transfer to another qualification. Subject to the accreditation of HKCAAVQ, individual institutions could offer articulation programmes at different QF levels and determine the number of places and the respective admission requirements.

Employability of graduates of self-financing post-secondary programmes

32. Some members sought information on the measures, if any, to enhance the employability of graduates of self-financing post-secondary programmes. They were also concerned about the assistance rendered to institutions to build up rapport with relevant sectors/industries so as to broaden the opportunities for students to take up practical training or internships.

⁹ See [LC Paper No. CB\(4\)969/13-14\(01\)](#).

¹⁰ See [LC Paper No. CB\(4\)480/15-16\(01\)](#).

33. According to the Administration, the institutions were encouraged to arrange audits/evaluation of their programmes to enhance the recognition of the qualifications attained by their graduate, as well as to work closely with the relevant sectors so that their programmes could be better oriented to meet the needs of the market. In addition to SSSDP, the Vocational Training Council had also introduced the Pilot Training and Support Scheme to integrate structured apprenticeship training programmes with clear career progression pathways for specific industries facing a shortage of skilled labour.

34. On whether tracking studies had been conducted on the employability of the graduates of self-financing post-secondary programmes, the Administration advised that surveys on graduates were conducted by quite a number of self-financing post-secondary institutions. Many institutions also published information on the employment or articulation to higher studies of their graduates on their official websites.

Recent discussion at Council meetings

35. Following reports that the Lifelong College had allegedly assisted its students in obtaining non-local academic qualifications from overseas institutions after a very short period of study, Dr Hon LAM Tai-fai and Hon IP Kin-yuen raised questions at the Council meetings of 2 December 2015 and 16 March 2016 respectively to seek information on the regulation of self-financing programmes leading to the award of non-local academic qualifications.

36. Hon WONG Kwok-hing and Hon IP Kin-yuen raised questions at the Council meetings of 14 October 2015 and 25 May 2016 respectively about the collection of enrolment deposits and first instalment of tuition fees by self-financing post-secondary institutions as well as the refund arrangement. In another question raised at the Council meeting of 11 February 2015, Hon IP Kin-yuen sought information on the financial position of the self-financing post-secondary institutions.

37. At the Council meeting of 16 December 2015, Dr Hon Kenneth CHAN raised a question on newly offered and discontinued self-financing sub-degree programmes. Arising from low student enrolment experienced by the Centennial College due to a continuous decline in local student population, Hon Christopher CHUNG raised a question at the Council meeting of 1 June 2016 to seek information on the student intakes of self-financing post-secondary programmes and the financial difficulties, if any, faced by the self-financing post-secondary institutions.

Latest position

38. The Panel will discuss issues related to the policy on self-financing post-secondary programmes at its meeting to be held on 13 June 2016.

Relevant papers

39. A list of the relevant papers on the Legislative Council Website is in **Appendix**.

Council Business Division 4
Legislative Council Secretariat
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Appendix

List of relevant papers

Committee	Date of meeting	Paper
Legislative Council	19.12.2012	<u>Motion</u> <u>Progress report provided by the Administration</u>
Panel on Education	11.1.2013	<u>Agenda</u> <u>Minutes</u> <u>CB(4)279/12-13(01)</u>
Panel on Education	14.1.2013 (Items IV and V)	<u>Agenda</u> <u>Minutes</u> <u>CB(4)279/12-13(01)</u> <u>CB(4)293/12-13(01)</u>
Legislative Council	11.12.2013	<u>Official Record of Proceedings</u> <u>Pages 115-121 (Question 12)</u>
Legislative Council	19.2.2014	<u>Official Record of Proceedings</u> <u>Pages 136 – 140 (Question 18)</u>
Panel on Education	18.3.2014 (Item IV)	<u>Agenda</u> <u>Minutes</u>
Panel on Education	14.4.2014 (Item V)	<u>Agenda</u> <u>Minutes</u>
Legislative Council	9.7.2014	<u>Official Record of Proceedings</u> <u>Pages 142 – 145 (Question 11)</u>
Finance Committee	11-12.7.2014 (Item 11)	<u>Agenda</u> <u>FCR(2014-15)16</u>

Committee	Date of meeting	Paper
Panel on Education	10.11.2014 (Item V)	<u>Agenda</u> <u>Minutes</u> <u>CB(4)154/14-15(01)</u> <i>(English version only)</i>
Legislative Council	12.11.2014	<u>Official Record of Proceedings</u> <u>Pages 115 – 129 (Question 9)</u>
Legislative Council	10.12.2014	<u>Official Record of Proceedings</u> <u>Pages 71 – 74 (Question 12)</u>
Panel on Education	12.1.2015 (Item IV)	<u>Agenda</u> <u>Minutes</u>
Panel on Education	7.2.2015	<u>Agenda</u> <u>Minutes</u> <u>CB(4)548/14-15(01)</u> <u>CB(4)750/14-15(01)</u> <u>CB(4)1262/14-15(01)</u>
Legislative Council	11.2.2015	<u>Official Record of Proceedings</u> <u>Pages 11 – 27 (Question 1)</u>
Panel on Education	13.4.2015 (Item VII)	<u>Agenda</u> <u>Minutes</u>
Legislative Council	14.10.2015	<u>Official Record of Proceedings</u> <u>Pages 70 – 80 (Question 6)</u>
Legislative Council	2.12.2015	<u>Official Record of Proceedings</u> <u>Pages 95 – 103 (Question 14)</u>
Legislative Council	16.12.2015	<u>Official Record of Proceedings</u> <u>Pages 159 – 180 (Question 18)</u>

Committee	Date of meeting	Paper
Panel on Education	15.1.2016	<u>CB(4)480/15-16(01)</u>
Panel on Education	1.2.2016 (Item IV)	Legislative Council Brief issued by the Education Bureau (File Ref.: <u>EDB(HE)CR 2/2041/14</u>)
Legislative Council	16.3.2016	<u>Official Record of Proceedings Pages 114 – 123 (Question 6)</u>
Legislative Council	25.5.2016	<u>Administration's reply to a question raised by Hon IP Kin-yuen (Question 6)</u>
Legislative Council	1.6.2016	<u>Administration's reply to a question raised by Hon Christopher CHUNG (Question 11)</u>

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